



FILED

11-14-06

10:45 AM

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Implement the
Commission's Procurement Incentive Framework
and to Examine the Integration of Greenhouse Gas
Emissions Standards into Procurement Policies.

Rulemaking R-06-04-009

**PREHEARING CONFERENCE STATEMENT
OF THE GREEN POWER INSTITUTE**

November 14, 2006

Gregory Morris, Director
The Green Power Institute
a program of the Pacific Institute
2039 Shattuck Ave., Suite 402
Berkeley, CA 94704
ph: (510) 644-2700
fax: (510) 644-1117
gmorris@emf.net

PREHEARING CONFERENCE STATEMENT OF THE GREEN POWER INSTITUTE

Pursuant to the November 1, 2006, *Joint Administrative Law Judge's Ruling and Notice of Prehearing Conference*, in R.06-04-009, the **Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to Examine the Integration of Greenhouse Gas Emissions Standards into Procurement Policies**, the Green Power Institute (GPI) respectfully submits this *Prehearing Conference Statement*.

Designing the Commission's load-based greenhouse gas reduction program (Phase II) will be a challenging effort that in many cases may entail groundbreaking efforts. We believe that the five broad programmatic elements identified in the *Ruling*, and the more detailed breakdown of the issues in Attachment A, are a sound basis for pursuing the Commission's greenhouse gas reduction program. We are less confident that all of the elements of the schedule in Attachment B are realistic. In enacting a load-based cap program the Commission will be dealing with many complex and often interrelated technical issues. For the program to work, it will be more important to spend the time necessary to get things right from the start than to follow an artificial timetable. This is not to suggest that the Green Power Institute favors taking a leisurely approach to developing this extremely important program, only that we want to see it done carefully and deliberately, and are concerned that rushing too much could lead to shortcuts and compromises that might very well prove to be problematic a few short years down the road.

The Commission's greenhouse gas program can draw on the cumulated experience of the RPS program in a number of important areas, including the development of baselines, reporting and tracking, flexible compliance, and ratcheting of allowances. However, it will

be important to keep in mind a fundamental difference between the two programs: Compliance in the RPS program is based on a currency (RECs, whether bundled or unbundled and tradable) that is a “good,” which obligated entities are motivated to acquire and report. Compliance in a load-based greenhouse gas cap program will be based on a currency (greenhouse gas emissions or their certificate representation) that is undesirable, and which obligated entities will have no desire to acquire or report. This fundamental difference will have to be taken into account in the design of the reporting and tracking systems that are ultimately deployed, as well as the compliance and penalty structures.

The first two programmatic elements discussed in the *Ruling*, baseline development and reporting requirements, are extremely important, and need to be approached with care and deliberation. The baselines will provide the starting points for ratcheting down each LSE’s emissions, and exactly where they are set is crucial to the successful launch of the program. In addition, setting the baselines will require addressing a variety of issues about how to measure and assess greenhouse gas emissions. The entire process should be carried out as part of the collaboration with CARB, the CEC, and CCAR, as provided for in AB 32. It will be important to develop consistent methods for the establishment of baselines and reporting requirements for all emitting sectors in the state, as the comprehensive AB 32 program is developed for reducing California’s, and ultimately the nation’s, greenhouse gas emissions.

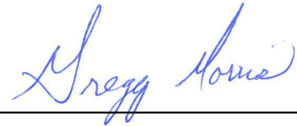
One important issue that will need to be addressed that does not appear to be included in the *Ruling* is the question of whether compliance with a load-based greenhouse gas cap program will be based on measured emissions, or emissions estimated based on fixed emissions factors for each generating unit. The interim EPS that will go into effect early next year will be based on projected emissions rates for all covered resources, as is appropriate for a gateway standard. However, an emissions cap and ratchet program is an entirely different kind of program, and using estimated emissions factors, while operationally easy, would not capture the consequences of operators who allow their generators to operate under suboptimal conditions. Although CO₂ is not currently a

regulated pollutant, continuous CO₂ emissions monitoring technology is well developed and commercially available, as CO₂ levels are often used to help calibrate other, regulated pollutants. Methane and higher hydrocarbons, in contrast, are not usually measured in continuous monitoring systems, although standard stack sampling techniques are available for spot testing. The need and means for monitoring non-carbon greenhouse gases will have to be addressed on a case-by-case basis.

The GPI expects to be an active participant in all five of the identified programmatic elements in phase II of R.06-04-009.

Dated November 14, 2006, at Berkeley, California.

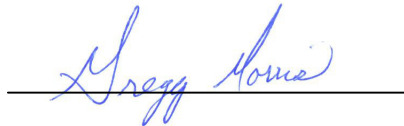
Respectfully Submitted,



Gregory Morris, Director
The Green Power Institute
a program of the Pacific Institute
2039 Shattuck Ave., Suite 402
Berkeley, CA 94704
ph: (510) 644-2700
fax: (510) 644-1117
e-mail: gmorris@emf.net

PROOF OF SERVICE

I hereby certify that on November 14, 2006, I will serve a copy of PREHEARING CONFERENCE STATEMENT OF THE GREEN POWER INSTITUTE upon all parties listed on the Service List for this proceeding, R-06-04-009. All parties will be served by email or first class mail, in accordance with Commission Rules.



Gregory Morris